Investors warned off stamp collector's promise of rich returns

Experts urged not to believe all of stamp dealer's Stanley Gibbons's marketing spiel.

http://www.telegraph.co.uk/finance/personalfinance/investing/8582410/Investors-warned-off-stamp-collectors-promise-of-rich-returns.html

Would you put £10,000 into an unregulated investment plan on the back of an unsolicited mailshot? Would alarm bells start ringing if this leaflet repeatedly urged you to "act quickly" to take advantage of "this unique opportunity" where "you could easily earn 698pc or more" – with no apparent risk to your capital?

Seasoned investors might assume such claims are the work of some fly-by-night company, ramping up penny shares or a dodgy investment plan. The language is more akin to that of a Reader's Digest prize-draw flier than an attempt to promote a serious investment scheme.

But those who don't bin the leaflet on reading "the investment world doesn't get better than this" might be surprised to learn it comes from Stanley Gibbons, one of the world's most respected stamp dealers, and holder of a Royal Warrant, no less.

Ian Lowes, the managing director of Lowes Financial Management, a firm of independent financial advisers, said: "Reading the marketing material made me shiver. It highlights how careful investors have to be when buying unregulated products – like stamps and other collectables. If I tried to sell investments like this to my customers I'd be shut down by the regulator.

"Stanley Gibbons uses every trick in the book to make people part with their money. There is no attempt to explain the risks involved, or detail potential downsides, like early exit charges."

Related Articles

- **Stamp collection to fetch £20m**

  20 Jun 2011

- **Philately gets you nowhere – stamp decline sparks fears for collectors**

  16 Oct 2011

- **Stamp known as the 'Mona Lisa' on sale for up to £12m**

02 May 2014

- **Investors warned of 'risky' exchange-traded funds**

18 Jun 2011

- **Gold 'the most overvalued' since 2009**

15 Jun 2011

- **So-slow FSA offers scant protection**

13 Jun 2011

He added: "It is not surprising that the regulator is examining the promotion of various non-regulated investments, particularly those deemed unregulated collective investment schemes.

"The direct marketing techniques used can lure consumers into making long-term investments that are highly unsuitable for them."

Up to 400,000 of these Stanley Gibbons leaflets are sent out a year. While there may be good reasons to invest in rare stamps – which, like many other collectables have risen in value in recent years – those doing so on the back of this kind of marketing should ensure they fully understand what they are buying – and what capital protection applies.

Stanley Gibbons makes some extraordinary claims. It talks about stamps as a "government-issued" investment. Of course stamps are issued by the government, via the post office. But they aren't backed by the government as an asset class. And the government certainly doesn't underwrite the value at which stamps are then traded on the second-hand market.

It also makes the rather generic claim that stamps are "better than stocks, bonds or property". But a graph in the brochure shows that while an index tracking the value of 30 rare British stamps is currently outperforming gold, property and the FTSE 100, this certainly isn't the case over different historic time frames.

Philately went through a long slump in prices after a boom in the Seventies. One of the best-known British stamps – the 1929 £1 PUC (Postal Union Congress) stamp – cost around £1,700 in the Seventies. Last year it had a Gibbons catalogue value of £750, but was available from some reputable dealers for less than £400.

According to Caron de Vico of the auctioneers Harmers, stamps can be a good long term investment for those that are interested in them, but are not for those looking to "make a quick killing". Three years ago it sold a block of four 1840 twopenny blue British stamps in mint condition for £70,000. Two years later, valuer David Flint pointed out that if this lot came back to auction it might only make £65,000.

But Stanley Gibbons isn't promoting stamp investing in general, it is seeking investors for its Capital Protected Plan, which offers a money-back guarantee.

Here, investors deposit a minimum of £10,000 for a period of between five and 10 years. This buys a portfolio, typically of between five and seven rare stamps. They can keep it at home, or Gibbons will store and insure it at its Guernsey office for free.

At the end of the term, if the portfolio has fallen in value, when compared to the prices listed in the Stanley Gibbons catalogue, investors will get their money back.

But consumers should remember a guarantee is only as good as its guarantor. If Stanley Gibbons ran into financial difficulties, and couldn't afford to meet these promises, then investors would have no recourse to the statutory compensation schemes, as stamps are not a regulated product.

Gibbons points out: "This risk is negligible. Remember we've been around since 1846." But a long and illustrious heritage hasn't stopped other companies hitting the buffers, as investors in Equitable Life, Lehman Brothers and even Woolworths will testify.

If the portfolio has risen in value, investors have two options: sell the stamps through Gibbons – where the dealer will take 30pc of any profit, or sell them privately. Here, of course, there will still be dealing or auction prices to pay, and the risk that the price you get may be less than price listed in Gibbons' catalogues. In fact you could conceivably make a loss, but in such cases the "money back guarantee" would not apply.

A spokesman for Gibbons defended the leaflet, pointing out that it had been sanctioned by the Guernsey Financial Services Commission and the Committee of Advertising Practice – which checks claims made in such mailings are accurate.

He added investors responding to the mailshot would talk to a portfolio manager before putting money into the scheme. They would receive a more detailed brochure, with all terms and conditions clearly explained – plus a detailed price history of the stamps they were buying.

A spokesman said: "We give this guarantee because we are confident that the price of these rare stamps will continue to rise. There is a huge international market for stamp collecting, and rare stamps in mint condition continue to fetch a premium.

"Collectables often do well in periods of inflation. As one of the UK's leading dealers we have given a structure, via this Capital Protected Plan to enable investors to access the market." This plan requires a minimum investment of £10,000, but he says other options o are available – although without the guarantee.

The "buy now while stocks last" claim also appears misleading. A portfolio manager at Gibbons said that there is a limited number of funds that can go into the plan each year – to ensure the guarantee can be met. But he added that it wasn't oversubscribed last year and could not recall the last time it wasn't available.

A spokesman for the Financial Services Authority said it couldn't comment on the promotion of this investment plan, as it fell outside its remit.

But it said it has become concerned about the number of unregulated collective investment schemes being marketed, often through advisers.

These can invest in all manner of assets – from golf courses in Mexico to off-plan apartments in eastern Europe to French wine. However, investors are not buying the assets direct – as with the Stanley Gibbon scheme – but buying units in a fund that owns such assets.

A spokeswoman for the Money Advice Service said before investing in any scheme people should check what the downsides are, seek a second opinion on the realistic growth prospects, and check who is underwriting any guarantee.

"Remember the two key tenets of investments: you don't get high returns without taking some risk. And if it sounds to good to be true, it probably is."